Protection of shareholders interest in IFCI

757. SHRI TARIQ ANWAR: Will the Minister of FINANCE be pleased to refer to reply to Unstarred Question 506 given in the Rajya Sabha on the 7th December, 2004 and state the definite plan of Government to protect the interests of shareholders/stakeholders/employees of IFCI?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): IFCI is a company registered under the Companies Act, 1956. Government has no shareholding in IFCI Ltd. The affairs of IFCI Ltd. are managed by the Board of Directors and it is for them to take necessary steps to protect the interests of the stakeholders including employees of IFCI.

Cigarette industry under VAT regime

758. SHRI NANDI YELLAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether the Central Government are aware that bringing cigarette industry out of existing additional excise tax network and covering it under VAT will put various tobacco producing States under economic hardship besides encouraging inter-State smuggling of cheap tobacco products; and

(b) if so, the details of the measures taken/proposed to be taken by the Central Government to compensate the States for such revenue loss and to check the possibility of inter-State smuggling of tobacco in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The scheme of levy of Additional Excise Duty (AED) in lieu of Sales Tax on Tobacco, Sugar and Textiles was implemented through the Additional Excise Duty (Goods of Special Importance) Act, 1957 in pursuance to decision taken in the NDC meeting held in December, 1956. The Constitutional/legal provisions do not debar the State Governments from levying Sales Tax/VAT on Tobacco, Sugar and Textiles, but only provide that if any State levies Sales Tax or VAT on these item in a particular year, such State shall lose its share of the Central Taxes being released on this account in that year. Thus, the levy of AED is in the nature of tax rental arrangement.